

**GRAETTINGER  
COMMUNITY SCHOOL DISTRICT**

INDEPENDENT AUDITOR'S REPORT  
BASIC FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS

JUNE 30, 2009

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**GRAETTINGER COMMUNITY SCHOOL DISTRICT**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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**Board of Education**

**(Before September 2008 Election)**

Bill Brown Jr.	President	2009
Kevin Jensen	Vice President	2009
Duane Hoffman		2008
Roger Schmitt		2008
Kyle Norris		2011

**(After September 2008 Election)**

Bill Brown Jr.	President	2009
Kevin Jensen	Vice President	2009
Duane Hoffman		2011
Roger Schmitt		2011
Kyle Norris		2011

**School Officials**

Dan Mart	Superintendent
Lisa Chapman	District Secretary/ Treasurer

# BRUCE D. FRINK

Certified Public Accountant

## Independent Auditor's Report

To the Board of Education of  
Graettinger Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities and each major fund of Graettinger Community School District, Graettinger, Iowa, as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities and each major fund of Graettinger Community School District at June 30, 2009, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated March 10, 2010 on our consideration of Graettinger Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and Budgetary Comparison Information on pages 4 through 23 and 42 through 43 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

### Member:

- American Institute of Certified Public Accountants
- Iowa Society of Certified Public Accountants

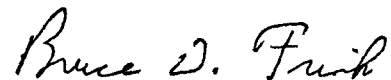
### Services:

- Individual & Corporate Tax Preparation, Partnerships, Estate & Trust
- Year Round Tax Planning
- Electronic Filing
- Payroll & Sales Tax Preparation
- I.R.S. Representation
- Monthly/Quarterly Write-Up
- Data Processing Services
- Payroll Preparation
- Computerized Financial Statements
- Business/Personal Financial Planning
- Bank Loan Assistance
- Section 105 Medical Plan Administration

### Plus:

- Over 30 years of Expertise and Experience
- Evenings & Saturdays Available by Appointment
- Extended Hours During Tax Season

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Graettinger Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2008 (which are not presented herein) and expressed an unqualified opinion on those financial statements. The financial statements for the five years ended June 30, 2005 (which are not presented herein) were audited by other auditors who expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 2, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



**BRUCE D. FRINK**  
**Certified Public Accountant**

March 10, 2010

# GRAETTINGER COMMUNITY SCHOOL DISTRICT

## Management's Discussion and Analysis

Graettinger Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2009. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### 2009 FINANCIAL HIGHLIGHTS

- The District's overall financial condition dropped slightly from FY2008 to FY2009.
- The District's overall financial position declined from the prior year. The unreserved/undesignated General Fund balance decreased from \$635,857 to \$609,905. This dropped the District's financial solvency ratio to 22.06%, which is well above the target range of 5%-10%.
- We are entering the 6<sup>th</sup> year of the academic sharing agreement between Graettinger and Terril. Reorganization will take place July 1, 2010. Public vote was a success with 280 yes votes and only 9 no votes for reorganization.
- The Graettinger Community School District certified enrollment count was previously taken in October. The figures are now entered into the PEACE (Project EASIER and Certified Enrollment) project. Reports are due October 15 with an adjustment time frame of two weeks. Our open enrollment figure is almost balanced with 24 students open enrolling out and 26 open enrolling in. We would like this figure to remain as equal as possible. Our certified enrollment is down 17 students. Terril is also down considerably and will be a concern as we head into our joint venture as one District.
- Interest rates were fairly steady to a slight decline, but still extremely low in FY2009. July 2008 began with .40% APY in the General Fund and by June we had decreased slightly to .30%. The T-Bill account rate remained steady throughout the entire year at 1.31% Interest earned from the T-Bill resulted in \$1,729.40 while the checking account earned only \$598.33. In comparison to FY08, the T-Bill dropped \$3,060.17 in interest earned and the general fund dropped \$548.48. The District currently has the listed CD's invested as of June 30, 2009:

\$ 50,000	2.75%	State Bank, Terril
\$ 50,000	5.88%	State Bank, Terril
\$ 50,000	3.28%	State Bank, Terril
\$ 50,000	2.75%	State Bank, Terril
\$ 50,000	2.31%	State Bank, Terril
\$ 50,000	2.31%	State Bank, Terril
\$ 50,000	2.15%	State Bank, Terril
\$ 50,000	2.15%	State Bank, Terril
\$ 50,000	1.25%	Bank Plus, Graettinger
\$ 50,000	2.50%	Bank Plus, Graettinger
\$100,000	4.60%	Bank Plus, Graettinger
\$100,000	2.75%	Bank Plus, Graettinger
- The District ended FY2008 with an unreserved fund balance of \$605,905. For FY2009 this balance increased slightly to \$654,622. Due to our superintendent sharing with Terril, our administrator salary is at 75%. We also shared a music teacher, band teacher and Spanish teacher. We sold 100% of the services for middle school science and middle school math. We also purchased 100% of the services for high school science. We will be continuing to share staff in our final year of whole grade sharing.

- The Nutrition Fund ended June 2008 with a negative cash balance of -\$6,728.07 and owing an additional \$292.58 to the activity fund for a total of \$7,020.650. The board has voted to make a permanent transfer in that amount in FY10. We have decreased staff from 3 full-time cooks (head cook, cook and cook/dishwasher) to 2.5. Total wages and benefits for FY09 were \$60,634. Wages and benefits were \$57,911 for FY08. One reason for the increase of \$2,723 was due to an additional wages for a substitute while staff was under medical care. Numbers of meals served has also dropped considerably mostly due to the number of students being whole grade shared with Terril.
- Local Option and PPEL revenue totaled \$189,980 and expenditures were \$117,493. Copier leases and PC leases total \$26,408 for the year. Other expenses included repairs to the boiler, improvement to the server room, air conditioning, computer upgrades, gym refinishing, telephone system, library chairs, architect fees, snow plow, garage doors, air handler for the ag room and a false ceiling in the ag room. Most of the work to complete the extra ag rooms to accommodate the art room is complete. Other equipment purchased was water softeners, a scoreboard and oven for the nutrition program and a toilet tank. The dead and dying trees were removed from the Evergreen Park. Completion of the land improvements at Evergreen Park will be completed with the installation of new trees in September 2009. These items were mostly paid for with casino grants, but the District's match was expended with LOSS funds. This was also true for the SMART boards for the library casino grants.
- The Special Education program report was completed October 15, 2009. We ended the year with a positive balance of \$28,172.63. Carryover was allowed at \$14,830 and \$13,343 will be revert to the state. Special educations expenses are always hard to predict, but we plan to implement a new periodic reporting system to better track the balance before year end.
- The contribution ratio shows that the District increased revenue at the state level by a very small margin of .2%. Local revenue decreased in the amount of \$11,312 or .4%. Federal resources increased by .1%.
- The Day's Net Cash Ratio shows that the District has begun to drop in cash flow capacity. On June 30, 2009 the District had a combination of cash and investments on hand in the amount of \$795,770. This amount when divided by FY2009 average daily expenditures of \$9,320 yields 85 days of operating cash flow. This is a dramatic decrease of 16 days since FY2008.

The following pages are the District's *Annual Financial Health Report*. It contains different indicators of the District's financial condition.

## FINANCIAL INDICATOR SUMMARY SHEET

	2005	2006	2007	2008	2009
<b>Balance Sheet Comparison</b>					
% of Change between years:					
Assets	57.4%	0.1%	5.1%	46.0%	134.2%
Liabilities	0.1%	-25.6%	113.3%	27.7%	29.4%
Fund Balance	34.4%	18.3%	9.5%	4.1%	7.3%
<b>Rev. &amp; Exp. Comparison</b>					
% of Change between years					
Revenues	16.00%	7.9%	-4.3%	0.3%	5.20%
Expenditures	2.90%	10.0%	1.9%	1.8%	3.10%
Fund Balance	234.10%	-0.9%	53.6%	45.9%	30.60%
<b>Financial Solvency Ratio</b>					
District Equity Position	17.80%	20.07%	23.13%	22.06%	21.34%
<b>Rev. &amp; Exp. Change Ratio</b>					
Measures Trends	0.5	0.8	1.6	0.16	1.7
<b>Rev. (Deficit) Margin Ratio</b>					
Measures Operating Results	5.72%	3.66%	2.20%	0.81%	3.33%
<b>Contribution Ratio</b>					
Measures Local Taxation Effort:					
Local	53.6%	55.9%	55.1%	59.5%	59.1%
State	41.3%	40.1%	41.1%	37.9%	38.1%
Federal	5.1%	4.0%	3.8%	2.7%	2.8%
Other	0.0%	0.0%	0.0%	0.0%	0.0%
<b>Day's Net Cash Ratio</b>					
Short Term Solvency (Days)	64	73	104	101	85
<b>Assets to Liab. Ratio,</b>					
Measures Short-term solvency	448.66%	672.91%	396.84%	324.26%	302.29%



# Balance Sheet Comparisons General Fund Only

	FY08	FY09	\$ Change	% Change	leacar
<b>ASSETS:</b>					
Cash & Investments	\$768,199	\$795,770	\$27,571	3.6%	P2L1-2
Receivables	\$118,705	\$273,714	\$155,009	130.6%	P2L3-7
Inventories	\$0	\$0	\$0	0.0%	P2L8
ISCAP	\$0	\$0	\$0	0.0%	P2L10-11
Other Assets	\$0	\$0	\$0	0.0%	P2L12
Total Assets	\$886,904	\$1,069,484	\$182,580	134.2%	
<b>LIABILITIES:</b>					
					leacar
Payables	\$273,519	\$353,798	\$80,279	29.4%	P2L24-29
Payroll	\$0	\$0	\$0	0.0%	P2L30-31
ISCAP	\$0	\$0	\$0	0.0%	P2L33-34
Other Liabilities	\$0	\$933,693	\$933,693	0.0%	P2L32&35
Total Liabilities	\$273,519	\$1,287,491	\$1,013,972	29.4%	
<b>Fund Balance:</b>					
					leacar
Reserved	\$3,480	\$61,064	\$57,584	0.0%	P2L44-53
Unreserved	\$609,905	\$654,622	\$44,717	7.3%	P2L54
Total Fund Balance	\$613,385	\$715,686	\$102,301	7.3%	

## Revenue Expenditures Comparison General Fund Only

	FY08	FY09	\$ Change	% Change
REVENUES:				leacar
Local Sources	\$1,647,201	\$1,812,438	\$165,237	9.1% P5L39
State Sources	\$1,043,911	\$1,170,240	\$126,329	10.8% P5L54
Federal Sources	\$73,606	\$84,918	\$11,312	13.3% P5L78
Other Sources	\$0	\$0	\$0	P5L84
Total Revenues	\$2,764,718	\$3,067,596	\$302,878	5.2%

EXPENDITURES:				
Instruction	\$2,005,598	\$2,182,522	\$176,924	8.1% P6L1-7
Support Services	\$373,716	\$329,459	(\$44,257)	-13.4% P6L8-19
Non-instructional	\$323,796	\$362,613	\$38,817	0.0% P6L20-29
Other expenditures	\$84,078	\$90,702	\$6,624	7.3% P6L31-39
Total expenditures	\$2,787,188	\$2,965,296	\$178,108	3.1%

### Changes in Fund Balance:

Excess (deficiency of)  
revenues over/under  
expenditures

	<u>-22,470</u>	<u>\$102,300</u>	<u>\$124,770</u>

## Financial Solvency Ratio

**Formula:** 
$$\frac{\text{Unreserved Undesignated Fund Balance (UUFB)}}{\text{Total GF Revenue}}$$

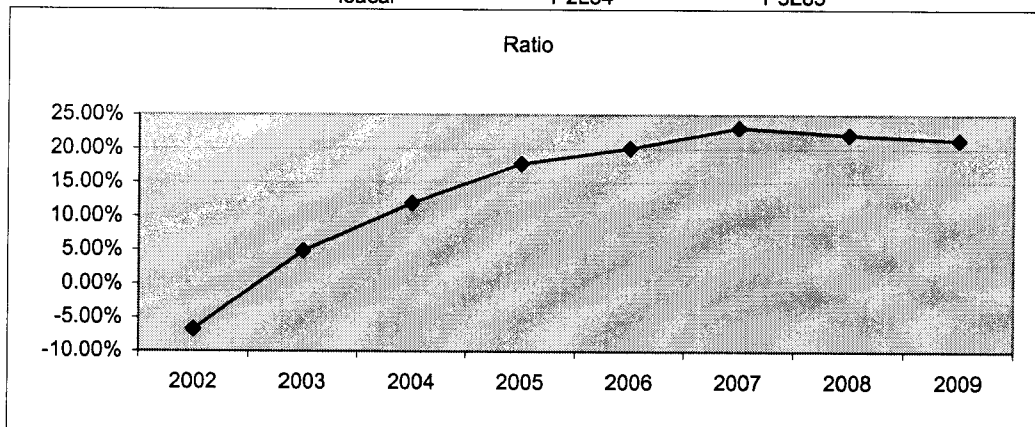
### Financial Information and Computation:

Year		UUFB	Total	Ratio
			Revenue	
2002		-\$154,412	\$2,301,655	-6.71%
2003		\$104,110	\$2,140,971	4.86%
2004		\$308,383	\$2,581,286	11.95%
2005		\$470,201	\$2,641,400	17.80%
2006		\$575,253	\$2,866,498	20.07%
2007		\$635,857	\$2,748,577	23.13%
2008		\$609,905	\$2,764,718	22.06%
2009		\$654,622	\$3,067,596	21.34%

leacar

P2L54

P5L85



**Purpose:** Measure's the District's Fund Equity position

**Trend:** Slightly falling

**Target:** Short term greater than zero  
Long term over 8 percent

**Need/Concern:** Full funding of budget revenue resources

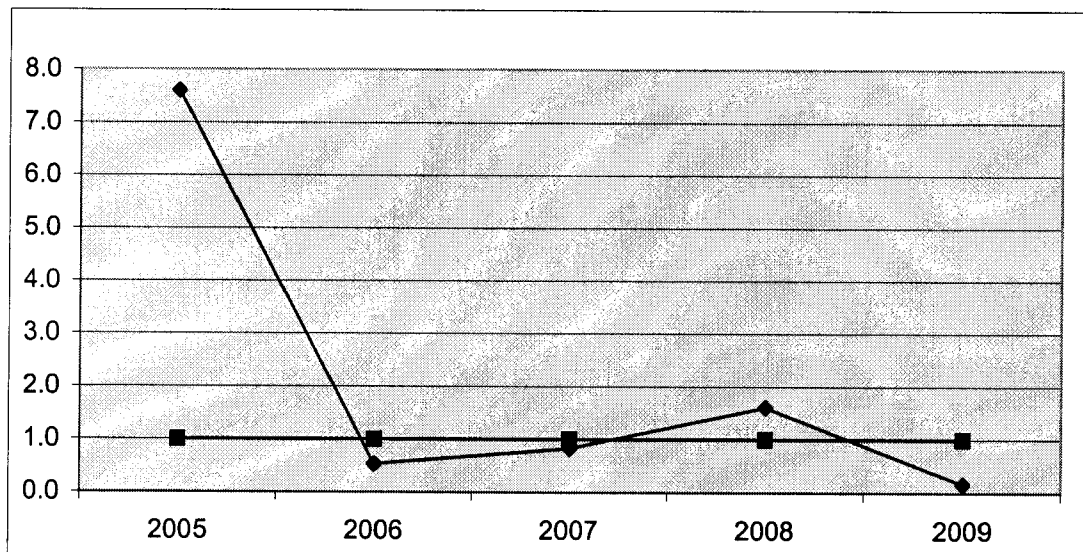
**Corrective Action:** Levy for cash reserve

## Revenue and Expenditures Change Ratio

**Formula:** 
$$\frac{\text{Current Year Revenue} - \text{Prior Year Revenue}}{\text{Current Year Expenditures} - \text{Prior Year Expenditures}}$$

**Financial Information and Computation:**

Year		Revenue	Expenditures	Ratio	
				Rev	Exp
2003		\$2,140,971	\$2,320,916		
2004		\$2,581,286	\$2,378,844	7.6	1.0
2005		\$2,641,400	\$2,490,266	0.5	1.0
2006		\$2,866,498	\$2,761,446	0.8	1.0
2007		\$2,748,577	\$2,687,973	1.6	1.0
2008		\$2,764,718	\$2,787,190	0.16	1.0
2009		\$3,067,596	\$2,965,295	1.70	1.0
	leacar	P5L85	P6L34		



**Purpose:** Measure trends

**Trend:** Down

**Target:** Revenue ratio less than expenditure ratio

**Need/Concern:** Cause for concern exists when revenue change is less than the expenditure change from one fiscal year to the next. Long-term this has the effect of eroding the District's fund balance position.

**Corrective Action:** Spend less than allowed each budget year.

## Revenue (Deficit) Margin Ratio

**Formula:**

$$\frac{\text{Revenue} - \text{Expenditures (Net Revenue)}}{\text{Total Revenue}}$$

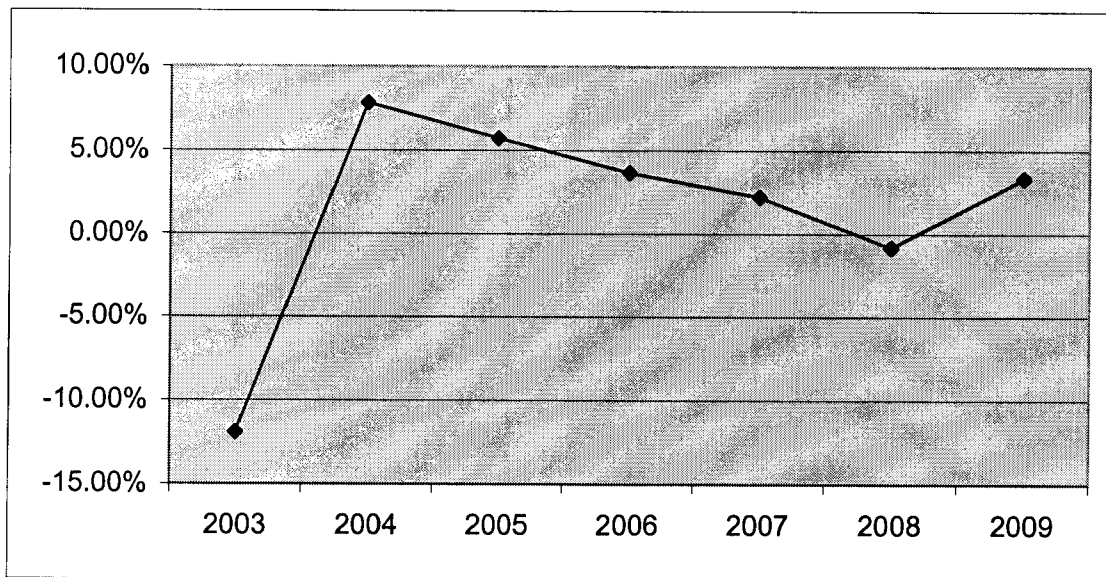
**Financial Information and Computation:**

Year	Net Revenue (Expenditures)	Total Revenue	Ratio	Year
2003	-\$254,565	\$2,140,971	-11.89%	2003
2004	\$202,442	\$2,581,286	7.84%	2004
2005	\$151,134	\$2,641,400	5.72%	2005
2006	\$105,052	\$2,866,498	3.66%	2006
2007	\$60,604	\$2,748,577	2.20%	2007
2008	-\$22,472	\$2,764,718	-0.81%	2008
2009	\$102,301	\$3,067,596	3.33%	2009

leacar

P5L85-P6L34

P5L85



**Purpose:** Measure operating results

**Trend:** Increase

**Target:** Greater than zero

**Need/Concern:** Full funding needed for budget revenue resources.

**Corrective Action:** Increase revenue sources or reduce expenditures

## Contribution Ratio

**Formula:** 
$$\frac{\text{Line Source Revenue}}{\text{Total Revenue}}$$

### Financial Information and Computation:

	FY2008	
Line	Amount	Ratio
Source		
Local	\$1,647,201	59.5%
State	\$1,049,911	37.9%
Federal	\$73,606	2.7%
Other	\$0	0.0%
Total	\$2,770,718	100.0%

	FY2009	
Line	Amount	Ratio
Source		
Local	\$1,812,438	59.1%
State	\$1,170,240	38.1%
Federal	\$84,918	2.8%
Other	\$0	0.0%
Total	\$3,067,596	100.0%

leacar  
P5L39  
P5L54  
P5L78  
P5L84

Year	Local	State	Federal	Other
2004	44.1%	50.1%	5.7%	0.0%
2005	53.6%	41.3%	5.1%	0.0%
2006	55.9%	40.1%	4.0%	0.0%
2007	55.1%	41.1%	3.8%	0.0%
2008	59.5%	37.9%	2.7%	0.0%
2009	59.1%	38.1%	2.8%	0.0%

**Purpose:** Measures local tax effort

**Trend:** NA

**Target:** NA

**Need/Concern:** As a district's property tax wealth grows the school aid formula shifts financial responsibility from the state to the local district. This can be seen in the table above.

**Corrective Action:** NA

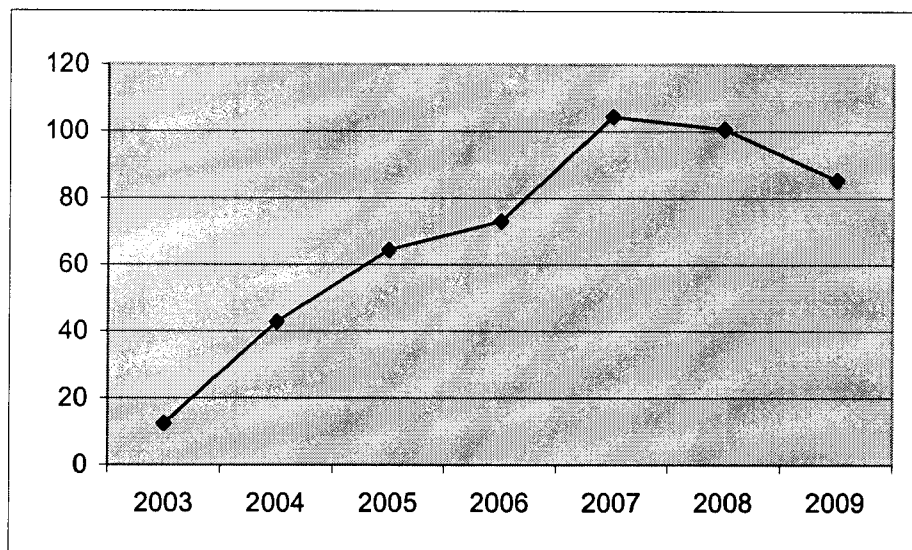
## Day's Net Cash Ratio

**Formula:** 
$$\frac{\text{Cash \& Investments}}{\text{Average Daily Cash Expenditures}}$$

### Financial Information and Computation:

Year	Cash & Investments	Total Expenditures	Daily (365) Expenditures	Ratio In Days
2003	\$78,642	\$2,320,916	\$6,359	12
2004	\$279,086	\$2,378,844	\$6,517	43
2005	\$439,457	\$2,490,266	\$6,823	64
2006	\$552,450	\$2,761,446	\$7,566	73
2007	\$768,800	\$2,687,973	\$7,364	104
2008	\$768,199	\$2,787,190	\$7,636	101
2009	\$795,770	\$3,401,958	\$9,320	85

leacar-P2L1,2      leacar-P6L34



**Purpose:** Measures short term solvency and the ability to cash follow expenditures without receiving additional revenue.

**Trend:** Volatile

**Target:** 90 days

**NeedConcern:** Need to target for stability.

**Corrective Action:** Levy for cash reserve

## Assets to Liabilities Ratio

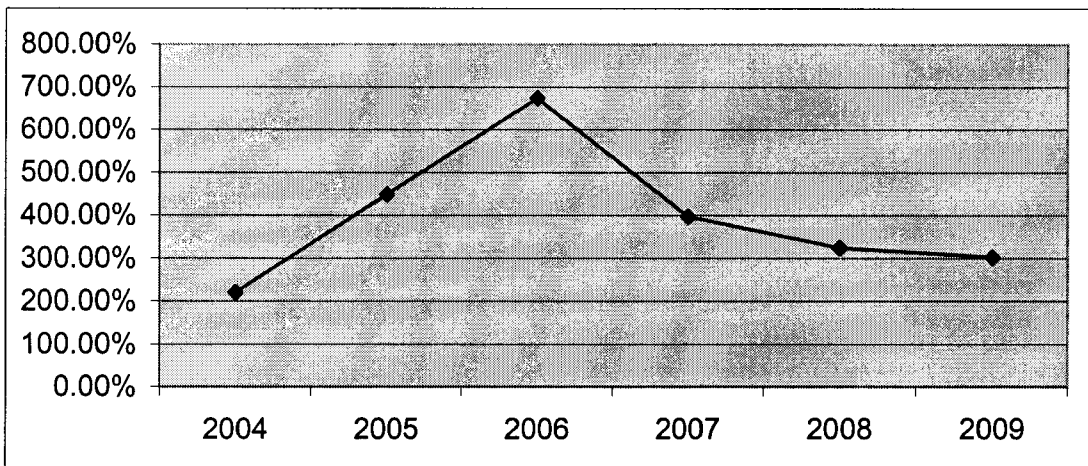
**Formula:** 
$$\frac{\text{Current Assets}}{\text{Current Liabilities}}$$

### Financial Information and Computation:

Year		Assets	Liabilities	Ratio
2004		\$565,260	\$256,877	220.05%
2005		\$605,060	\$134,859	448.66%
2006		\$675,662	\$100,409	672.91%
2007		\$850,067	\$214,210	396.84%
2008		\$886,904	\$273,519	324.26%
2009		\$1,069,484	\$353,798	302.29%

leacar-P2L13

leacar-P2L36



**Purpose:** Measures short term solvency

**Trend:** leveling

**Target:** Greater than 100%

**Need/Concern:** When the assets/liabilities ratio is below 100% the district does not have the ability to pay off all current liabilities. Outside financial companies use this as a measure of financial health. Should the district seek a bond issue in the future, this ratio needs to be greater than 100% to obtain the best bond rating possible.

**Corrective Action:** Levy for cash reserve

**Comments:** We are currently on the downward slope. We had a considerable increase in the past years. This will be an area of concern with the increase in declining enrollment and budget cuts. We had another significant drop in 2009. We will need to keep expenses in check.

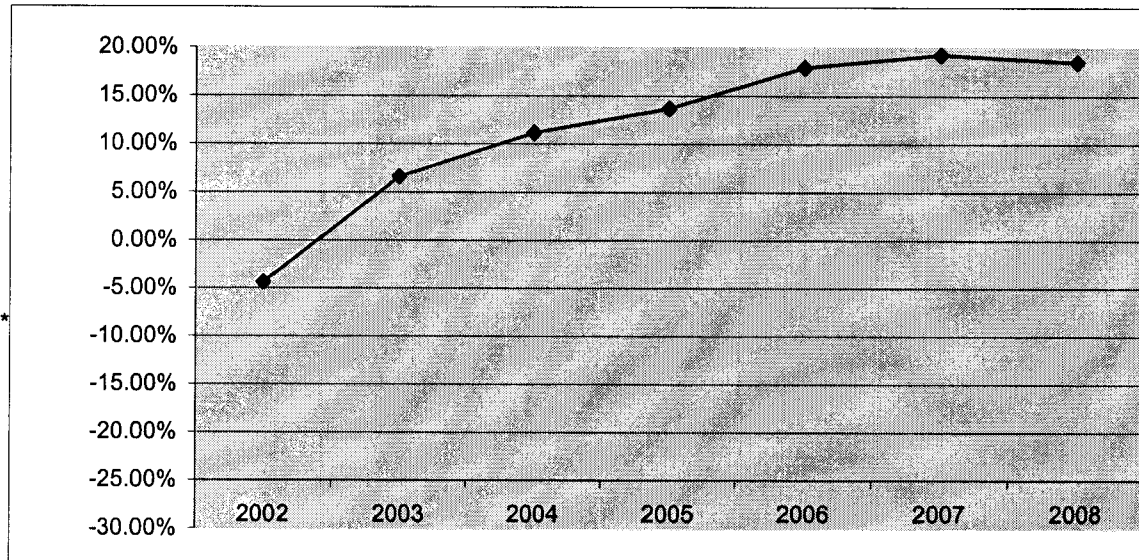


## Unspent Balance Ratio

**Formula:** 
$$\frac{\text{Unspent Spending Authority}}{\text{Maximum Budget Authority}}$$

### Financial Information & Computation:

Year	Maximum Authorized	Regular Unspent Bal.	Unreserved Unspent Bal.	Regular UB Ratio	Unreserved UB Ratio
2002	\$2,378,666	-\$103,720	\$564,943	-4.36%	23.75%
2003	\$2,485,622	\$164,706	\$667,324	6.63%	26.85%
2004	\$2,669,483	\$297,448	\$763,686	11.14%	28.61%
2005	\$2,876,731	\$393,246	\$836,500	13.67%	29.08%
2006	\$3,365,352	\$603,906	\$1,065,840	17.94%	31.67%
2007	\$3,330,550	\$642,577	\$936,308	19.29%	28.11%
2008	\$3,420,355	\$633,165	\$1,000,624	18.51%	29.25%



**Purpose:** Measures the district's unbudgeted spending reserves

**Trend:** Slight decrease

**Target:** Unreserved unspent for short-term at 5-10 percent  
Long-term 5 percent above accrued payroll liabilities

**Need/Concern:** An adequate level of budget reserves are important so the district can respond to emergencies. Conventional wisdom, when engaged in construction projects, suggests a minimum of 5% of the total project for contingency expenditures. The operating fund is no different.

**Corrective Action:** Spend less than allowed each budget year.

## Historical Data

YEAR	Certified Enrollment	State Aid-Per Pupil	Single	Family	Spouse or Ch.	Open Enrollment-IN	Open Enrollment-OUT
September 2000	299.2		\$ 300	\$ 591		13	16
September 2001	302.4	\$4338-FY02	\$ 279	\$ 657		15	20
September 2002	286.2	\$4512-FY03	\$ 325	\$ 888		15	22
September 2003	272.1	\$4557-FY04	\$ 380	\$ 1,049		15	22
September 2004	279.1	\$4648-FY05	\$ 380	\$ 1,049		19	23
September 2005	268.1	\$4741-FY06	\$ 406	\$ 1,174	\$ 920	18	23
September 2006	236	\$4931-FY07	\$ 420	\$ 1,285	\$ 912	19	25
September 2007	237	\$5128-FY08	\$ 420	\$ 1,285	\$ 912	14	28
September 2008	232	\$5333-FY09	\$ 417	\$ 1,274	\$ 910	22	29
September 2009	215	\$5546-FY10	\$ 432	\$ 1,309	\$ 929	26	24

### New Staff

At Terril: Ted Mahon, Tyler Pedersen

### Shared Teachers for FY10:

Brent Dyhrkopp-sold 100%  
 Mel DeGroot-sold 100%  
 Anne Sexe-sold 37.5%  
 Tyler Pedersen-purchased 67%  
 Marc Benedict-purchased 100%  
 Teresa Alesch-sold 20%  
 Ted Mahon-purchased 67%

### Employees pay:

\$27.50 of single insurance  
 \$836.91 of family insurance  
 \$456.91 of employee/spouse or employee/child(ren)

**USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements and other information, as follows:

Management’s Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District’s financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Graettinger Community School District as a whole and present an overall view of the District’s finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Graettinger Community School District operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Graettinger Community School District acts solely as an agent or custodian for the benefit of those outside of the District.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District’s budget for the year.

Other Supplementary Information provides detailed information about the Student Activity Fund.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

**Figure A-1**  
*Graettinger Community School District Annual Financial Report*

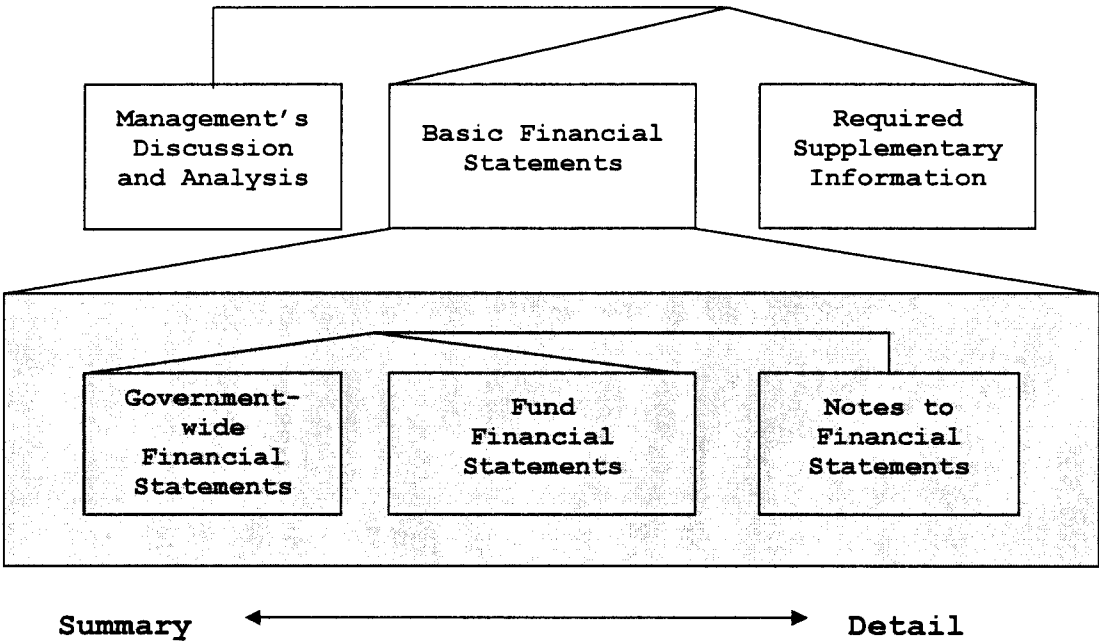


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

<b>Figure A-2</b> <b>Major Features of the Government-wide and Fund Financial Statements</b>			
	Government-wide Statements	Fund Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services, preschool and internal services
Required financial statements	<ul style="list-style-type: none"> <li>. Statement of net assets</li> <li>. Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>. Balance sheet</li> <li>. Statement of revenues, expenditures and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>. Statement of net assets</li> <li>. Statement of revenues, expenses and changes in fund net assets</li> <li>. Statement of cash flows</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

## REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

### *Government-wide Financial Statements*

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets - the difference between the District's assets and liabilities - are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

### *Fund Financial Statements*

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds - not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs. The District has chosen to treat all funds as "major" for clarity of presentation.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has two kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds and Capital Projects Fund.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities but provide more detail and additional information, such as cash flows. The District currently has two enterprise funds, the School Nutrition Fund and the Preschool Fund. The District also uses an Internal Service Fund to account for health benefit plans.

The required financial statements for proprietary funds include a Statement of Revenues, Expenses, Changes in Net Assets and a Statement of Cash Flows.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2009 compared to June 30, 2008.

<b>Figure A-3</b> <b>Condensed Statement of Net Assets</b> <b>(Expressed in Thousands)</b>							
	Governmental Activities		Business type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2009	2008	2009	2008	2009	2008	2008-2009
Current assets	\$ 2,555	2,214	17	22	2,572	2,236	15.03%
Capital assets	1,403	1,477	1	1	1,404	1,478	-5.01%
<b>Total assets</b>	<b>3,958</b>	<b>3,691</b>	<b>18</b>	<b>23</b>	<b>3,976</b>	<b>3,714</b>	<b>7.05%</b>
Current liabilities	1,289	1,211	13	6	1,302	1,217	6.98%
Non-current liabilities	-	-	-	-	-	-	0.00%
<b>Total liabilities</b>	<b>1,289</b>	<b>1,211</b>	<b>13</b>	<b>6</b>	<b>1,302</b>	<b>1,217</b>	<b>6.98%</b>
<b>Net Assets</b>							
Invested in capital assets, net of related debt	1,403	1,477	1	1	1,404	1,478	-5.01%
Restricted	320	141	-	-	320	141	126.95%
Unrestricted	946	862	4	16	950	878	8.20%
<b>Total net assets</b>	<b>\$ 2,669</b>	<b>2,480</b>	<b>5</b>	<b>17</b>	<b>2,674</b>	<b>2,497</b>	<b>7.09%</b>

The District's combined net assets increased by 7%, or approximately \$175,000 over the prior year. The largest portion of the District's net assets is invested in cash and capital assets.

Unrestricted net assets, the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements, increased approximately \$72,000 or 8%. This growth was due in large part to spending controls that continue to be maintained.

Figure A-4 shows the changes in net assets for the years ended June 30, 2009 compared to the year ended June 30, 2008.

<b>Figure A-4</b> <b>Changes in Net Assets</b> <b>(Expressed in Thousands)</b>							
Governmental Activities		Business type Activities		Total School District		Total Change	
2009	2008	2009	2008	2009	2008	2008-2009	
<b>Revenues:</b>							
Program revenues:							
Charges for service and sales	\$ 754	684	92	89	846	773	9.44%
Operating grants, contributions and restricted interest	558	499	55	56	613	555	10.45%
General revenues:							
Property and income surtaxes	1,072	1,011	-	-	1,072	1,011	6.03%
Local option sales tax	144	130	-	-	144	130	10.77%
Unrestricted state grants	881	793	-	-	881	793	11.10%
Other	75	46	-	-	75	46	63.04%
Total revenues	<u>3,484</u>	<u>3,163</u>	<u>147</u>	<u>145</u>	<u>3,631</u>	<u>3,308</u>	<u>9.76%</u>
<b>Program expenses:</b>							
Governmental activities:							
Instruction	2,220	2,133	-	-	2,220	2,133	4.08%
Support Services	795	757	-	-	795	757	5.02%
Non-instructional programs	-	-	159	171	159	171	-7.02%
Other expenses	280	331	-	-	280	331	-15.41%
Total expenses	<u>3,295</u>	<u>3,221</u>	<u>159</u>	<u>171</u>	<u>3,454</u>	<u>3,392</u>	<u>1.83%</u>
Change in net assets	<u>\$ 189</u>	<u>(58)</u>	<u>(12)</u>	<u>(26)</u>	<u>177</u>	<u>(84)</u>	<u>-310.71%</u>

Property tax and unrestricted state grants account for 54% of the total revenue. The District's expenses primarily relate to instruction and support services which account for 87% of the total expenses.

### Governmental Activities

Revenues for governmental activities were \$3,483,004 and expenses were \$3,294,499 for the year ended June 30, 2009.

The following table presents the total and net cost of the District's major governmental activities, instruction, support services and other expenses, for the year ended June 30, 2009 compared to the year ended June 30, 2008.

<b>Figure A-5</b> <b>Total and Net Cost of Governmental Activities</b> <b>(Expressed in Thousands)</b>						
Total Cost of Services			Net Cost of Services			
2009	2008	Change 2008-2009	2009	2008	Change 2008-2009	
Instruction	\$ 2,220	2,133	4.08%	996	1,042	-4.41%
Support Services	795	757	5.02%	795	757	5.02%
Other expenses	280	331	-15.41%	192	240	-20.00%
Totals	<u>\$ 3,295</u>	<u>3,221</u>	<u>2.30%</u>	<u>1,983</u>	<u>2,039</u>	<u>-2.75%</u>

For the year ended June 30, 2009:

- The cost financed by users of the District's programs was \$753,600.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$287,590.
- The net cost of governmental activities was financed with \$1,071,592 in property and other taxes and \$880,834 in unrestricted state grants.

#### **Business Type Activities**

Revenues for business type activities for the year ended June 30, 2009 were \$146,893 and expenses totaled \$159,009. The District's business type activities include the School Nutrition Fund and a Preschool Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

During the year ended June 30, 2009, the District held meal prices along with daycare and preschool rates steady. The District began the preschool program in fiscal year 2006 in an effort to increase future enrollment.

#### **FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS**

As previously noted, Graettinger Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balances of \$1,056,072, a 29% increase above last year's ending fund balances of \$821,388.

#### **Governmental Fund Highlights**

- The District's General Fund financial status increased this year. The District carefully monitors discretionary spending to avoid decreases in fund balances. This becomes more difficult every year due to state's decision to remove the budget guarantee. The District takes advantage of sharing incentive dollars whenever possible.
- The Physical Plant and Equipment Levy (PPEL levy) increased by \$37,000 as the District replenishes this balance.
- The Capital Projects fund increased in the fiscal year ending June 30, 2009. This money can be used for many of the same purposes as the District's PPEL levy. The District is currently using these funds for infrastructure projects.

#### **Proprietary Fund Highlights**

Beginning in the 2005-2006 school year a fund was established for a preschool operated by the District. It is hoped that this will assist in maintaining future enrollment. The fund is operating at a profit over the long term.

#### **BUDGETARY HIGHLIGHTS**

The District's receipts were \$11,251 less than budgeted receipts. The most significant variance resulted from the District receiving less in state source revenues than originally anticipated.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.



## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2009, the District had invested \$1,402,887, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net decrease of 5% from last year. More detailed information about the District's capital assets is presented in Note 3 to the financial statements. Depreciation expense for the year was \$154,729.

The original cost of the District's capital assets was \$3,367,671. Governmental funds account for \$3,366,134, with the remainder of \$1,537 accounted for in the Proprietary, School Nutrition Fund.

**Figure A-6**  
**Capital Assets, net Depreciation**  
**(Expressed in Thousands)**

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2009	2008	2009	2008	2009	2008	2008-2009
Land	\$ 52	52	-	-	52	52	0.00%
Site improvements	62	33					
Buildings and improvements	944	997	-	-	944	997	-5.32%
Furniture and equipment	345	395	1	1	346	396	-12.63%
Totals	<u>\$ 1,403</u>	<u>1,477</u>	<u>1</u>	<u>1</u>	<u>1,342</u>	<u>1,445</u>	<u>-7.13%</u>

### Long-Term Debt

The District has no long-term debt.

## ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- Declining enrollment and the effects of the removal of the 100% budget guarantee will require due diligence on the part of the administration and board of education.
- Graettinger and Terril have approved a reorganization beginning with fiscal year 2011.
- Adequate allowable growth is a necessity in order for the District to properly maintain its educational opportunities.

## CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Lisa Chapman, District Secretary/Treasurer, Graettinger Community School District, 400 W Lost Island St, Graettinger, IA 51342.

## **Basic Financial Statements**

## GRAETTINGER COMMUNITY SCHOOL DISTRICT

## Statement of Net Assets

June 30, 2009

	Governmental <u>Activities</u>	Business Type <u>Activities</u>	<u>Total</u>
<b>Assets</b>			
Cash and pooled investments	\$ 1,169,864	14,531	1,184,395
Receivables:			
Property tax:			
Current year	28,489	-	28,489
Succeeding year	923,253	-	923,253
Income surtax - succeeding year	135,515	-	135,515
Due from other governments	283,139	-	283,139
Other receivables	14,494	-	14,494
Inventories	-	2,581	2,581
Capital assets, net of accumulated depreciation	<u>1,402,887</u>	<u>1,153</u>	<u>1,404,040</u>
<b>Total assets</b>	<u>3,957,641</u>	<u>18,265</u>	<u>3,975,906</u>
<b>Liabilities</b>			
Accounts payable	183,983	13,210	197,193
Accrued salary and benefits	181,450	-	181,450
Deferred revenue:			
Succeeding year property tax	<u>923,253</u>	<u>-</u>	<u>923,253</u>
<b>Total liabilities</b>	<u>1,288,686</u>	<u>13,210</u>	<u>1,301,896</u>
<b>Net assets</b>			
Invested in capital assets	1,402,887	1,153	1,404,040
Restricted for:			
Management levy	22,778	-	22,778
Physical plant and equipment levy	62,938	-	62,938
Capital projects	172,974	-	172,974
Categorical funding	61,064	-	61,064
Unrestricted	<u>946,314</u>	<u>3,902</u>	<u>950,216</u>
<b>Total net assets</b>	<u>\$ 2,668,955</u>	<u>5,055</u>	<u>2,674,010</u>

See notes to financial statements.

## GRAETTINGER COMMUNITY SCHOOL DISTRICT

## Statement of Activities

Year ended June 30, 2009

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
<b>Functions/Programs:</b>						
Governmental activities:						
Instruction:	\$ 2,220,047	753,600	470,380	(996,067)	-	(996,067)
Support services:						
Student services	69,955	-	-	(69,955)	-	(69,955)
Instructional staff services	68,781	-	-	(68,781)	-	(68,781)
Administration services	377,121	-	-	(377,121)	-	(377,121)
Operation and maintenance of plant services	153,002	-	250	(152,752)	-	(152,752)
Transportation services	125,961	-	-	(125,961)	-	(125,961)
	794,820	-	250	(794,570)	-	(794,570)
Other expenditures:						
AEA flowthrough	86,783	-	86,783	-	-	-
Facilities acquisition and construction	38,248	-	296	(37,952)	-	(37,952)
Depreciation (unallocated)*	154,601	-	-	(154,601)	-	(154,601)
	279,632	-	87,079	(192,553)	-	(192,553)
Total governmental activities	3,294,499	753,600	557,709	(1,983,190)	-	(1,983,190)

GRAETTINGER COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2009

	Program Revenues		Net (Expense) Revenue and Changes in Net Assets		
	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Business type activities:					
Non-instructional programs:					
Nutrition and day care services	159,009	91,778	55,115	-	(12,116)
					(12,116)
Total	\$ 3,453,508	845,378	612,824	(1,983,190)	(1,995,306)
General Revenues:					
Property tax levied for:					
General purposes				\$ 840,817	840,817
Management fund				40,056	40,056
Capital outlay				23,653	23,653
Income surtaxes collected for:					
General purposes				105,166	105,166
Capital outlay				61,900	61,900
Statewide sales and services tax				144,464	144,464
Unrestricted state grants				880,834	880,834
Unrestricted investment earnings				22,032	22,032
Other				52,773	52,773
Total general revenues				2,171,695	2,171,695
Change in net assets				-	-
Net assets beginning of year				188,505	176,389
				2,480,450	2,497,621
Net assets end of year				\$ 2,668,955	2,674,010

\* This amount excludes the depreciation that is included in the direct expenses of the various programs

See notes to financial statements.

## GRAETTINGER COMMUNITY SCHOOL DISTRICT

Balance Sheet  
Governmental Funds

June 30, 2009

**Assets**

Cash and pooled investments									
Receivables:									
Property tax:									
Current year									
Succeeding year									
Income surtax - succeeding year									
Due from other governments									
Other receivables									
<b>Total assets</b>									

**Liabilities and Fund Balances**

Liabilities:									
Accounts payable									
Accrued salary and benefits									
Deferred revenue:									
Succeeding year property tax									
Succeeding year income surtax									
Total liabilities									
Fund balances:									
Reserved for capital projects									
Reserved for categorical funding									
Unreserved									
Total fund balances									
<b>Total liabilities and fund balances</b>									

See notes to financial statements.

## GRAETTINGER COMMUNITY SCHOOL DISTRICT

Reconciliation of the Balance Sheet - Governmental Funds  
to the Statement of Net Assets

June 30, 2009

<b>Total fund balances of governmental funds (Exhibit C)</b>	\$ 1,056,072
<b><i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i></b>	
Income surtax receivable at June 30, 2009 is not recognized as income until received in the governmental funds, however it is shown as a revenue in the Statement of Activities.	135,515
Internal Service fund assets that are to be included with governmental funds.	74,481
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	<u>1,402,887</u>
<b>Net assets of governmental activities (Exhibit A)</b>	<u><u>\$ 2,668,955</u></u>

See notes to financial statements.

## GRAETTINGER COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds

Year ended June 30, 2009

	General	Student Activity	Management Levy	Physical Plant and Equipment Levy	Capital Projects	Total
Revenues:						
Local sources:						
Local tax	\$ 930,297	-	40,056	85,553	144,464	1,200,370
Tuition	524,318	-	-	-	-	524,318
Other	357,823	129,103	65	136	296	487,423
State sources	1,170,240	-	29	20	-	1,170,289
Federal sources	84,918	-	-	-	-	84,918
Total revenues	3,067,596	129,103	40,150	85,709	144,760	3,467,318
Expenditures:						
Instruction	2,116,485	113,971	2,142	-	-	2,232,598
Support services:						
Student services	69,955	-	-	-	-	69,955
Instructional staff services	68,781	-	-	-	-	68,781
Administration services	331,280	-	5,157	39,705	979	377,121
Operation and maintenance of plant services	199,445	-	-	623	974	201,042
Transportation services	92,566	-	33,395	-	-	125,961
	762,027	-	38,552	40,328	1,953	842,860



GRAETTINGER COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds

Year ended June 30, 2009

	General	Student Activity	Management Levy	Physical Plant and Equipment Levy	Capital Projects	Total
Other expenditures						
AEA flowthrough	86,783	-	-	-	-	86,783
Facilities acquisition and construction	-	-	-	8,227	62,166	70,393
	<u>86,783</u>	<u>-</u>	<u>-</u>	<u>8,227</u>	<u>62,166</u>	<u>157,176</u>
Total expenditures	<u>2,965,295</u>	<u>113,971</u>	<u>40,694</u>	<u>48,555</u>	<u>64,119</u>	<u>3,232,634</u>
Excess (deficiency) of revenues over (under) expenditures	102,301	15,132	(544)	37,154	80,641	234,684
Fund balances beginning of year	<u>613,385</u>	<u>66,564</u>	<u>23,322</u>	<u>25,784</u>	<u>92,333</u>	<u>821,388</u>
Fund balances end of year	<u>\$ 715,686</u>	<u>81,696</u>	<u>22,778</u>	<u>62,938</u>	<u>172,974</u>	<u>1,056,072</u>

See notes to financial statements.

## GRAETTINGER COMMUNITY SCHOOL DISTRICT

Reconciliation of the Statement of Revenues, Expenditures and  
 Changes in Fund Balances - Governmental Funds  
 to the Statement of Activities

Year ended June 30, 2009

Net change in fund balances - total governmental funds (Exhibit E) \$ 234,684

**Amounts reported for governmental activities in the Statement of  
 Activities are different because:**

Income surtaxes not collected for several months after the District's  
 fiscal year ends are not considered "available" revenues in the  
 governmental funds and are included as deferred revenues. They are,  
 however, recorded as revenues in the statement of activities 15,686  
 This represents the change from FY08 to FY09

Internal Service Fund transactions are not reported in the General Fund  
 as revenues and expenditures, however the General Fund is the source of  
 these revenues and use of the expenditures. 12,551

Capital outlays to purchase or build capital assets are reported in  
 governmental funds as expenditures. However, those costs are  
 reported in the Statement of Net Assets and are allocated over their  
 estimated useful lives as depreciation expense in the Statement of  
 Activities. The amounts of capital outlays and depreciation expense  
 in the year are as follows:

Capital outlays	\$ 80,185	
Depreciation expense	<u>(154,601)</u>	<u>(74,416)</u>

Change in net assets of governmental activities (Exhibit B) \$ 188,505

## GRAETTINGER COMMUNITY SCHOOL DISTRICT

Combining Statement of Net Assets  
Proprietary Funds

June 30, 2009

	Enterprise Funds			Governmental Activities
	School Nutrition	Preschool	Total	Internal Service
<b>Assets</b>				
Cash and pooled investments	\$ -	14,531	14,531	75,642
Other receivables	-	-	-	-
Inventories	2,581	-	2,581	-
Capital assets, net of accumulated depreciation	1,153	-	1,153	-
<b>Total assets</b>	3,734	14,531	18,265	75,642
<b>Liabilities</b>				
Accounts payable	6,765	6,445	13,210	1,161
<b>Net assets</b>				
Invested in capital assets, net of related debt	1,153	-	1,153	-
Reserved for employee benefits	-	-	-	74,481
Unrestricted	(4,184)	8,086	3,902	-
<b>Total net assets</b>	\$ (3,031)	8,086	5,055	74,481

See notes to financial statements.

## GRAETTINGER COMMUNITY SCHOOL DISTRICT

Combining Statement of Revenues, Expenses and Changes in Fund Net Assets  
Proprietary Funds

Year ended June 30, 2009

	Enterprise Funds			Governmental Activities
	School Nutrition	Preschool	Total	Internal Service
Operating revenue:				
Local sources:				
Charges for services	\$ 59,371	32,407	91,778	22,994
Operating expenses:				
Non-instructional programs:				
Food service operations:				
Salaries	53,383	-	53,383	-
Benefits	7,441	-	7,441	-
Services	188	-	188	-
Supplies	58,658	-	58,658	-
Depreciation	128	-	128	-
Total operating expenses	119,798	-	119,798	-
Community service programs:				
Salaries	-	30,380	30,380	-
Benefits	-	5,018	5,018	-
Services	-	19	19	-
Supplies	-	3,794	3,794	-
	-	39,211	39,211	-
Internal service programs:				
Benefits	-	-	-	10,443
Total operating expenses	119,798	39,211	159,009	10,443
Operating (loss)	(60,427)	(6,804)	(67,231)	12,551
Non-operating revenues:				
Local sources	11	91	102	-
State sources	1,313	-	1,313	-
Federal sources	53,700	-	53,700	-
	55,024	91	55,115	-
Change in net assets	(5,403)	(6,713)	(12,116)	12,551
Net assets beginning of year	2,372	14,799	17,171	61,930
Net assets end of year	\$ (3,031)	8,086	5,055	74,481

See notes to financial statements.

## GRAETTINGER COMMUNITY SCHOOL DISTRICT

Combining Statement of Cash Flows  
Proprietary Funds

Year ended June 30, 2009

	School Nutrition	Preschool	Total	Governmental Activities Internal Service
Cash flows from operating activities:				
Cash received from sale of services	\$ 59,535	35,191	94,726	22,994
Cash payments to employees for services	(60,824)	(35,398)	(96,222)	(9,282)
Cash payments to suppliers for goods or service.	(47,229)	(2,115)	(49,344)	-
Net cash (used by) operating activities	(48,518)	(2,322)	(50,840)	13,712
Cash flows from non-capital financing activities:				
State grants received	1,313	-	1,313	-
Federal grants received	47,194	-	47,194	-
Net cash provided by non-capital financing activities	48,507	-	48,507	-
Cash flows from investing activities:				
Interest on investments	11	91	102	-
Net (decrease) in cash and cash equivalents	-	(2,231)	(2,231)	13,712
Cash and cash equivalents beginning of year	-	16,762	16,762	61,930
Cash and cash equivalents end of year	\$ -	14,531	14,531	75,642
<b>Reconciliation of operating (loss) to net cash used by operating activities:</b>				
Operating (loss)	\$ (60,427)	(6,804)	(67,231)	12,551
Adjustments to reconcile operating (loss) to cash (used by) operating activities:				
Depreciation expense	128	-	128	-
Commodities used	6,506	-	6,506	-
Decrease in other receivables	164	2,784	2,948	-
Decrease in inventory	-	-	-	-
Increase in accounts payable	5,111	1,698	6,809	1,161
	<u>\$ (48,518)</u>	<u>(2,322)</u>	<u>(50,840)</u>	<u>13,712</u>

**Non-cash investing, capital and financing activities:**

During the year ended June 30, 2009, the District received federal commodities valued at \$6,506.

See notes to financial statements.

# GRAETTINGER COMMUNITY SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2009

### (1) Summary of Significant Accounting Policies

Graettinger Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. Additionally, the District either operates or sponsors summer recreational activities. The geographic area served includes the Cities of Graettinger, Iowa, and agricultural area in Palo Alto and Emmett Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis. The District also contracts, as explained in note 6, with the Terril Community School District to educate students in grades three through twelve.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

#### A. Reporting Entity

For financial reporting purposes, Graettinger Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. Graettinger Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Palo Alto and Emmett County Assessor's Conference Boards.

#### B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

*Invested in capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt that are attributable to the acquisition, construction or improvement of those assets.

*Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. The District has elected to treat all funds as major funds for clarity of presentation.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Student Activity Fund is used to account for extra curricular activities conducted on behalf of the students.

The Management Levy Fund is utilized for the payment of insurance, unemployment and early retirement benefits.

The Capital Projects Fund is used to account for funds raised by the one cent School Infrastructure Local Option Sales Tax. These funds are being used for debt retirement and infrastructure expenses.

The Physical Plant and Equipment Levy is used to purchase equipment (over \$500 per item) and for major repairs and improvements to buildings and grounds. It is funded primarily through a combination of property tax and income surtax.

The District reports the following major proprietary funds:

The District's proprietary funds are the Enterprise, School Nutrition Fund and Preschool Fund. These funds are used to account for the food service and preschool operations of the District. Also, an Internal Service Fund is maintained to account for certain health benefit plans.

#### C. Measurement Focus and Basis of Accounting

The government-wide and the proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

The proprietary funds of the District applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Funds is charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statement of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

#### D. Assets, Liabilities and Fund Balance

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in governmental funds is accounted for using the modified accrual basis of accounting.



Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year become effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2007 assessed property valuations; is for the tax accrual period July 1, 2008 through June 30, 2009 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2008.

Due From Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 1,000
Buildings	10,000
Improvements other than buildings	1,000
Furniture and equipment:	
School Nutrition Fund equipment	1,000
Other furniture and equipment	1,000

Capital assets are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	50 years
Improvements other than buildings	20-50 years
Furniture and equipment	5-15 years

Salaries and Benefits Payable - Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences - District employees accumulated a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds financial statements only for employees that have resigned or retired. The compensated absences liability is deemed to be immaterial at June 30, 2009.

Fund Balance - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

#### E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2009, expenditures exceeded the amounts budgeted in the other expenditures function. The District did not exceed its General Fund unspent authorized budget.

#### **(2) Cash and Pooled Investments**

The District's deposits in banks at June 30, 2009 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The District had no investments at June 30, 2009.

### (3) Capital Assets

Capital assets activity for the year ended June 30, 2009 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 52,218	-	-	52,218
Capital assets being depreciated:				
Site improvements	36,609	32,145	-	68,754
Buildings and improvements	1,970,349	-	-	1,970,349
Furniture and Equipment	1,226,773	48,040	-	1,274,813
Total capital assets being depreciated	3,233,731	80,185	-	3,313,916
Less accumulated depreciation for:				
Site improvements	3,660	3,439	-	7,099
Buildings and improvements	973,495	52,304	-	1,025,799
Furniture and Equipment	831,491	98,858	-	930,349
Total accumulated depreciation	1,808,646	154,601	-	1,963,247
Total capital assets being depreciated, net	1,425,085	(74,416)	-	1,350,669
Governmental activities, capital assets, net	\$ 1,477,303	(74,416)	-	1,402,887
Business type activities:				
Furniture and equipment	\$ 21,373	-	19,836	1,537
Less accumulated depreciation	20,092	128	19,836	384
Business type activities capital assets, net	\$ 1,281	(128)	-	1,153
Depreciation expense was charged to the following functions:				
Governmental activities:				
Unallocated				\$ 154,601
Business type activities:				
Food service operations				\$ 128

### (4) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, PO Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 4.10% of their annual salary and the District is required to contribute 6.35% of annual covered salary. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2009, 2008, and 2007 were \$89,933, \$80,136, and \$71,527 respectively, equal to the required contributions for each year.

**(5) Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$86,783 for year ended June 30, 2009 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**(6) Two-Way Whole Grade Sharing**

The District has entered into a contract with Terril Community School District to complete the academic and extra-curricular needs of students in all grades. All regular education students in grades kindergarten through two and nine through twelve attend the Graettinger Community School District. All regular education students in grades three through eight attend the Terril Community School District.

**(7) Reorganization**

The voters of the Graettinger and Terril School Districts have approved a reorganization of the districts effective July 1, 2010.

**(8) Deficit in Nutrition Fund**

The District's School Nutrition Fund had a deficit fund balance of \$3,031 at June 30, 2009.

## **Required Supplementary Information**

**GRAETTINGER COMMUNITY SCHOOL DISTRICT**

Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances -  
Budget and Actual - All Governmental Funds and Proprietary Funds

Required Supplementary Information

Year ended June 30, 2009

	Governmental Fund Types Actual	Proprietary Fund Type Actual	Total Actual	Budgeted Amounts Original	Final	Final to Actual Variance
<b>Revenues:</b>						
Local sources	\$ 2,212,111	91,880	2,303,991	2,259,285	2,259,285	44,706
State sources	1,170,289	1,313	1,171,602	1,261,177	1,261,177	(89,575)
Federal sources	84,918	53,700	138,618	105,000	105,000	33,618
Total revenues	<u>3,467,318</u>	<u>146,893</u>	<u>3,614,211</u>	<u>3,625,462</u>	<u>3,625,462</u>	<u>(11,251)</u>
<b>Expenditures/Expenses:</b>						
Instruction	2,232,598	-	2,232,598	2,925,376	2,925,376	692,778
Support services	842,860	-	842,860	1,363,152	1,363,152	520,292
Non-instructional programs	-	159,009	159,009	194,000	194,000	34,991
Other expenditures	157,176	-	157,176	88,267	88,267	(68,909)
Total expenditures/expenses	<u>3,232,634</u>	<u>159,009</u>	<u>3,391,643</u>	<u>4,570,795</u>	<u>4,570,795</u>	<u>1,179,152</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	234,684	(12,116)	222,568	(945,333)	(945,333)	1,167,901
Other financing sources (uses)	-	-	-	-	-	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures/ expenses other financing uses	234,684	(12,116)	222,568	(945,333)	(945,333)	1,167,901
Balance beginning of year	821,388	17,171	838,559	982,943	982,943	(144,384)
Balance end of year	<u>\$ 1,056,072</u>	<u>5,055</u>	<u>1,061,127</u>	<u>37,610</u>	<u>37,610</u>	<u>1,023,517</u>

See accompanying independent auditor's report.

## **GRAETTINGER COMMUNITY SCHOOL DISTRICT**

### **Note to Required Supplementary Information - Budgetary Reporting**

Year ended June 30, 2009

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2009, expenditures exceeded the amounts budgeted in the other expenditures function. The District did not exceed its General Fund unspent authorized budget.

## Other Supplementary Information



## GRAETTINGER COMMUNITY SCHOOL DISTRICT

## Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2009

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Athletic	\$ 38,073	66,637	50,810	53,900
Student Council	1,502	6,265	5,982	1,785
FFA	8,976	24,862	23,688	10,150
Cheerleaders	1,020	3,626	4,483	163
National Honor Society	1,357	97	69	1,385
Speech/Drama	24	132	334	(178)
Class of 2008	2,039	-	-	2,039
Class of 2009	3,969	-	3,012	957
Class of 2010	(747)	13,699	11,820	1,132
Class of 2011	248	1,016	-	1,264
Elementary	624	760	77	1,307
Yearbook/Annual	75	5,265	3,700	1,640
Band	-	93	578	(485)
Vocal	695	-	175	520
Library	307	18	-	325
Miscellaneous	4,875	4,271	5,144	4,002
Interest	385	268	-	653
Office	2,765	-	3,697	(932)
Art	555	-	100	455
Marketing	45	2,094	-	2,139
Play	(223)	-	302	(525)
Total	\$ 66,564	129,103	113,971	81,696

See accompanying independent auditor's report.

**GRAETTINGER COMMUNITY SCHOOL DISTRICT**

Schedule of Revenues by Source and Expenditures by Function  
All Governmental Funds

For the Last Nine Years

	Modified Accrual Basis								
	2009	2008	2007	2006	2005	2004	2003	2002	2001
<b>Revenues:</b>									
Local sources:									
Local tax	\$ 1,200,370	1,133,613	1,124,306	1,085,501	1,049,547	932,582	894,696	868,900	757,170
Tuition	524,318	492,788	484,002	561,756	424,218	94,093	113,764	23,009	238,186
Other	487,423	411,587	360,849	342,220	356,201	173,639	149,526	178,053	149,259
State sources	1,170,289	1,043,965	1,128,558	1,149,242	1,090,642	1,475,155	1,350,308	1,299,199	1,065,623
Federal sources	84,918	73,606	104,279	131,651	135,352	126,899	207,445	117,947	137,068
Total	<u>\$ 3,467,318</u>	<u>3,155,559</u>	<u>3,201,994</u>	<u>3,270,370</u>	<u>3,055,960</u>	<u>2,802,368</u>	<u>2,715,739</u>	<u>2,487,108</u>	<u>2,347,306</u>
<b>Expenditures:</b>									
Instruction	\$ 2,232,598	2,168,421	2,122,298	2,201,515	2,048,458	1,952,041	1,778,143	1,835,858	1,653,968
Support services:									
Student	69,955	23,047	18,998	10,520	16,872	2,638	1,362	35,598	57,387
Instructional staff	68,781	27,223	31,613	53,397	10,156	40,687	105,979	97,946	135,370
Administration	377,121	362,483	314,589	305,483	244,511	232,608	279,056	309,326	300,920
Operation and maintenance									
of plant	201,042	236,111	219,401	250,727	243,369	241,671	156,445	149,990	183,040
Transportation	125,961	176,300	108,165	93,226	70,740	59,614	52,368	48,541	51,383
Central support services	-	-	-	-	-	-	5,850	3,818	3,416
Noninstructional programs:									
Food service operations	-	-	-	-	-	2,219	-	-	-
Other expenditures:									
Facilities acquisition	70,393	166,885	243,235	70,849	60,697	14,186	32,476	84,308	66,137
AEA flowthrough	86,783	84,078	83,493	80,572	87,596	82,309	88,607	86,814	85,056
Total	<u>\$ 3,232,634</u>	<u>3,244,548</u>	<u>3,141,792</u>	<u>3,066,289</u>	<u>2,782,399</u>	<u>2,627,973</u>	<u>2,500,286</u>	<u>2,652,199</u>	<u>2,536,677</u>

See accompanying independent auditor's report.

# BRUCE D. FRINK

Certified Public Accountant

Independent Auditor's Report on Internal Control  
over Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in Accordance  
with Government Auditing Standards

**Member:**

- American Institute of Certified Public Accountants
- Iowa Society of Certified Public Accountants

To the Board of Education of  
Graettinger Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Graettinger Community School District as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 10, 2010. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Graettinger Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Graettinger Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Graettinger Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies including deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Graettinger Community School District's ability to initiate, authorize, record, process or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Graettinger Community School District's financial statements that is more than inconsequential will not be prevented or detected by Graettinger Community School District's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

**Services:**

- Individual & Corporate Tax Preparation, Partnerships, Estate & Trust
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A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Graettinger Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe items I-A-09 and I-B-09, are material weaknesses.

#### Compliance and Other Matters

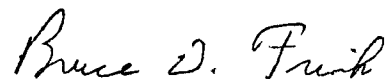
As part of obtaining reasonable assurance about whether Graettinger Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2009 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Graettinger Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit Graettinger Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Graettinger Community School District and other parties to whom Graettinger Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Graettinger Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



**BRUCE D. FRINK**  
**Certified Public Accountant**

March 10, 2010

GRAETTINGER COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2009

Part I: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCY

I-A-09 SEGREGATION OF DUTIES

Comment - During our review of the internal control structure, the existing procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and therefore maximizes the accuracy of the District's financial statements. We noted that one individual has custody of receipts and performs all record-keeping and reconciling functions for the office.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review the operating procedures of the office to obtain the maximum internal control possible under the circumstances.

Response - We will review procedures and investigate available alternatives.

Conclusion - Response accepted.

I-B-09 Auditor Drafting of the Financial Statements and Related Footnote Disclosures

Comment - As in prior years, we were requested to draft the audited financial statements and related footnote disclosures as part of our regular audit services. SAS 112, an auditing standard from the American Institute of Certified Public Accountants, requires auditors to communicate this situation as an internal control deficiency. Ultimately, it is management's responsibility to provide for the preparation of the District's statements and footnotes, and the responsibility of the auditor to determine the fairness of the presentation of those statements. From a practical standpoint we do both for you at the same time in connection with our audit. This is not unusual for us to do this with organizations of your size. However, based on this auditing standard, it is our responsibility to inform you that this deficiency could result in a misstatement to the financial statements that could have been prevented or detected by the District's management. As in prior years, we have instructed management to review a draft of the auditor prepared financial statements in detail for their accuracy, we have answered any questions they might have, and encouraged research of any accounting guidance in connection with the adequacy and appropriateness of classification and disclosure in your financial statements. We are satisfied that the appropriate steps have been taken to provide you with the completed financial statements.

Recommendation - It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Response - We feel our review of the draft financials is adequate for us to accept this risk.

Conclusion - Response accepted.

GRAETTINGER COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2009

**Part II: Other Findings Related to Required Statutory Reporting:**

- II-A-09      Certified Budget - Expenditures for the year ended June 30, 2009 exceeded the certified budget amounts in the other expenditures function.
- Recommendation - The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.
- Response - Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.
- Conclusion - Response accepted.
- II-B-09      Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- II-C-09      Business Transactions - No business transactions between the District and District officials or employees were noted.
- II-D-09      Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- II-E-09      Board Minutes - No transactions requiring Board approval which had not been approved by the Board were noted.
- II-F-09      Questionable Expenditures - No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- II-G-09      Deposits and Investments - No instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.
- II-H-09      Certified Annual Report - The Certified Annual Report was certified timely to the Iowa Department of Education.
- II-I-09      Certified Enrollment - No variances in the basic enrollment data certified to the Department of Education were noted.
- II-J-09      Categorical Funding - No instances were noted of categorical funding being used to supplant rather than supplement other funds.

GRAETTINGER COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2009

Part II: Other Findings Related to Required Statutory Reporting:  
(continued)

II-K-09      Statewide Sales and Services Tax - No instances of non-compliance with the use of the statewide sales and services tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales and services tax. For the year ended June 30, 2009, the District's financial activity and other required information for the statewide sales and services tax are as follows:

Beginning balance		\$	-
Statewide sales and services tax revenue			144,464
Expenditures/transfers out:			
School infrastructure:			
Building and improvement	\$62,166		
Equipment	<u>1,953</u>		<u>64,119</u>
Ending balance		\$	<u>80,345</u>

II-L-09      Deficit Balance - The School Nutrition Fund had a deficit balance of \$3,031 at June 30, 2009.

Recommendation - The District should continue to investigate alternatives to eliminate this deficit in order to return this fund to a sound financial condition.

Response - The District is continuing to investigate alternatives to eliminate the deficit in the School Nutrition Fund at the end of the fiscal year.

Conclusion - Response accepted.